



ANNUAL FINANCIAL STATEMENTS

for

MANDENI MUNICIPALITY

for the year ended 30 June: **2010**

Province:	<input type="text"/> KwaZulu Natal
AFS rounding:	<input type="text"/> R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Dr M B Ngubane
Name of Chief Financial Officer:	Mr R N Hlongwa
Contact telephone number:	032-456 8200
Contact e-mail address:	ceo@mandeni.gov.za
Name of contact at provincial treasury:	Ms Keneue Mofoka
Contact telephone number:	033-897 4400
Contact e-mail address:	keneue.mofoka@kzntreasury.gov.za
Name of relevant Auditor:	Mr Sagie Reddy
Contact telephone number:	033-264 7601
Contact e-mail address:	sagier@agsa.co.za
Name of contact at National Treasury:	Unathi Ndobeni
Contact telephone number:	unathi.ndobeni@treasury.gov.za
Contact e-mail address:	012 315 5103

MANDENI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Council

Councillor B.L. Magwaza	Mayor
Councillor Z P Makhoba	Speaker
Councillor J Singh	Member of the Executive Committee
Councillor D M Shandu	Member of the Executive Committee
Councillor N. Reddy	Member of the Executive Committee
Councillor B P Mgadhi	Member of the Executive Committee
Councillor M S Mdunge	Member of the Executive Committee
Cllr. GPS Busane IFP	Member
Cllr. N F Ntuli ANC	Member
Cllr. E L Dube ANC	Member
Cllr. N E Hlabisa ANC	Member
Cllr. B A Khumalo IFP	Member
Cllr. J E Luthuli ANC	Member
Cllr. S V Manqele IFP	Member
Cllr. M J Mathonsi IFP	Member
Cllr. N J Mbusi DA	Member
Cllr. S Mdletshe ULRRA	Member
Cllr. G N Zungu ANC	Member
Cllr. S Mbonambi) IFP	Member
Cllr. P M Myeza ANC	Member
Cllr. S Ndlovu IFP	Member
Cllr. H M Ngema ANC	Member
Cllr. B T Nkabinde ANC	Member
Cllr. J B Nzuza ANC	Member
Cllr. S D Shange IFP	Member
Cllr. L R Shembe IFP	Member
Cllr. J J Vilakazi IFP	Member
Cllr. J M Zondi ANC	Member
Cllr. S J Zibane IFP	Member
Cllr. T J Zondo ANC	Member
Cllr. ZS Gumede IFP	Member
Cllr. S B Zulu ANC	Member

Municipal Manager

Dr M B Ngubane

Chief Financial Officer

Mr R N Hlongwa

Grading of Local Authority

Grade 3

MANDENI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

Auditors

Auditor-General

Bankers

First National Bank

Registered Office: Mandeni Municipal Office

Physical address:

2 Kingfisher Road
MANDENI
4490

Postal address:

P O Box 144
MANDENI
4490

Telephone number: 032 -456 8200

Fax number: 032 -456 2504

E-mail address: info@mandeni.gov.za

MANDENI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 51, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE 31 August 2010

MANDENI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-20
Notes to the Annual Financial Statements	21-42
Appendix A: Schedule of External Loans	43
Appendix B: Analysis of Property, Plant and Equipment	44-47
Appendix C: Segmental Analysis of Property, Plant and Equipment	48
Appendix D: Segmental Statement of Financial Performance	49
Appendix E(1) Budget Reconciliation	50
Appendix E(2) Budget Surplus Reconciliation	51

MANDENI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	31 889 417	14 214 091
Trade and other receivables from exchange transactions	2	6 895 985	28 383 165
Other receivables from non-exchange transactions	3	1 977 828	811 454
Inventories	4	304 589	271 307
VAT receivable	14	1 241 407	3 664 651
Non-current assets			
Property, plant and equipment	7	51 790 905	39 560 328
Investment property carried at cost	9	80 165	80 165
Total assets		94 180 296	86 985 161
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	11	3 328 057	1 371 556
Consumer deposits	12	993 012	933 028
VAT payable	13	1 546 869	3 724 359
Current provisions	15	2 689 523	1 799 537
Current portion of unspent conditional grants and receipts	16	16 348 664	9 238 544
Current portion of borrowings	17	196 386	209 785
Non-current liabilities			
Non-current borrowings	17	134 454	330 840
Total liabilities		25 236 966	17 607 650
Net assets		68 943 330	69 377 512
NET ASSETS			
Housing development fund		1 504 439	1 394 440
Accumulated surplus / (deficit)		67 438 891	67 983 072
Total net assets		68 943 330	69 377 512

MANDENI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	19	21 914 259	18 430 020
Service charges	20	12 901 660	10 166 620
Rental of facilities and equipment	21	185 744	149 197
Interest earned - external investments	22	860 987	5 535 006
Interest earned - outstanding receivables	23	295 864	113 769
Fines		365 036	718 946
Licences and permits		1 805 113	1 586 162
Government grants and subsidies	24	87 683 875	51 258 367
Other income	25	3 312 829	765 953
Total revenue		129 325 367	88 724 039
Expenses			
Employee related costs	26	25 188 505	22 672 947
Remuneration of councillors	27	6 214 068	5 517 247
Bad debts		31 795 601	8 451 152
Collection costs		361 377	251 449
Depreciation and amortisation expense	28	3 777 756	3 423 787
Repairs and maintenance		7 090 792	2 348 887
Finance costs	29	77 635	879 447
Bulk purchases	30	4 367 300	3 350 803
Contracted services	31	6 622 909	5 608 056
Grants and subsidies paid	32	46 613 744	21 251 473
General expenses	33	11 763 776	7 489 617
Total expenses		143 873 464	81 244 865
Gain / (loss) on sale of assets		84 560	-
(Impairment loss) / Reversal of impairment loss	35	(17 803)	-
Profit / (loss) on fair value adjustment	34	-	-
Inventories: (Write-down) / reversal of write-down to net realisable value	4	(279)	229
Surplus / (deficit) for the period		(14 481 619)	7 479 404

MANDENI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

Note	Other reserves	Housing reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R
Balance at 30 June 2008				
Changes in accounting policy				
Correction of prior period error				
Off -setting of Accumulated Depreciation				
Restated balance				
Correction of prior period error				
Interest Capitalised				
Capitalisation of Grants that met condition on Assets				
Assets Disposal				
Surplus / (deficit) for the period				
Balance at 30 June 2009				
Correction of prior period error				
Interest Capitalised				
Capitalisation of Grants that met condition on Assets				
Surplus / (deficit) for the period				
Balance at 30 June 2010				

MANDENI MUNICIPALITY
CASH FLOW STATEMENT

as at 30 June 2010

	Note	2010	2009
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		118 853 281	88 610 270
Taxation		14 295 724	18 430 020
Sales of goods and services		10 048 109	10 166 620
Grants		87 683 875	51 258 367
Interest received		1 156 851	5 535 006
Other receipts		5 668 722	3 220 258
Payments		111 774 876	71 453 348
Employee costs		31 402 572	28 190 194
Suppliers		29 903 168	19 048 811
Interest paid		77 635	879 447
Other payments		50 391 500	23 334 895
Net cash flows from operating activities	35	7 078 406	17 156 922
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(16 026 136)	(16 080 061)
Proceeds from sale of fixed assets		199 045	-
Proceeds from sale of investments		5 416 166	5 535 006
Purchase of foreign currency securities			
Net cash flows from investing activities		(10 410 925)	(10 545 055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings		(209 785)	(1 156 819)
Proceeds from grants unspent		21 217 631	
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities		21 007 846	(1 156 819)
Net increase / (decrease) in net cash and cash equivalents		17 675 327	5 455 048
Net cash and cash equivalents at beginning of period		14 214 091	8 759 043
Net cash and cash equivalents at end of period	36	31 889 417	14 214 091

MANDENI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These annual financial statements have been prepared in accordance with Generally Recognised Accounting

* General Notice , issued in Government Gazette no. 28095 of December 2005;

* General Notice, issued in Government Gazette no. 30013 of June 2007; and

* General Notice, issued in Government Gazette no. 31021 of 9 May 2008.

The Municipality has elected to implement the Transitional provisions outlined in Directive 4, dated February 2008, from the Accounting Standards Board.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as interest earned by the Housing Development Fund.
- Any surplus on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

Compliance with this standard would have an effect on the financial information on entity's interest on other business ventures. However the entity does not have any joint venture.

GRAP 18 Segment Reporting - issued March 2005

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify resources allocated to support the major activities of the entity.

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. These transactions are minimal and are considered immaterial.

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

GRAP 103 Heritage Assets - issued July 2008

Compliance with this standard will not have an impact on the current financial information as the recognition and measurement requirements of the standard have not been adopted.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The assets acquired under financial leases are not recognised as property plant and equipment as per the exemption by Directive 4. It will be recognised as such in the subsequent financial year.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The municipality is taken advantage of the exemption allowed in terms of Directive 4, and Infrastructure will not be measured in components for this financial year. A project was however initiated, and is nearing completion, to measure the components of Roads and Electrical infrastructure as at 1 July 2010.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a cost amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets *unless depreciation of certain assets is being determined using a method other than estimated useful life*. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20 -30	Other vehicles	5
Water	15 -20	Office equipment	3 - 7
Sewerage	15 -20	Furniture and fittings	7 -10
		Watercraft	15
Community		Bins and containers	5
Buildings	30	Specialised plant and equipment	10 -15
Recreational Facilities	20 -30	Other items of plant and equipment	2 -5
Security	5	Landfill sites	15
Halls	30		
Libraries	30		
Parks and gardens	30		
Other assets	5		

The municipality is however opted to disclose asset following the Directive 4 on PPE. The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
-------------------	---------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property

15

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The
- the
- the
- the
- the
- when the

municipality has a detailed formal plan for the restructuring identifying at least:
business or part of a business concerned;
principal locations affected;
location, function, and approximate number of employees who will be compensated for terminating their services;
expenditures that will be undertaken; and
plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The following are defined benefit plans :Natal Joint Superannuation, Retirement and Provident Funds (NJMP) . These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2006.

16 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *completion of a physical proportion of the contract work*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

17 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		11 676	7 720
Cash at bank		3 277 798	(524 580)
Call deposits		<u>28 599 943</u>	<u>14 730 951</u>
		31 889 417	14 214 091

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Mandeni Branch: Account Number 52940480587

Cash book balance at beginning of year	(524 580)	5 359 523
Cash book balance at end of year	<u>3 277 798</u>	<u>(524 580)</u>
Bank statement balance at beginning of year	113 575	1 954 167
Bank statement balance at end of year	<u>3 245 879</u>	<u>113 575</u>

Current Account (Other Account)

Bank	Branch	Account	Type	Purpose		
FNB -	Mandeni Branch:	Acc./No. C061294217372	Call Deposit	Surplus funds	6 129 957	4 013 643
FNB -	Mandeni Branch:	Acc./No. C062028673219	Call Deposit	Housing Account	2 039 279	2 073 995
FNB -	Mandeni Branch:	Acc./No. C062113325882	Call Deposit	Camera Account	216 005	11 426
FNB -	Mandeni Branch:	Acc./No. C062138398327	Call Deposit	MIG Account	3 737 929	3 550 534
FNB -	Mandeni Branch:	Acc./No. C062252919471	Call Deposit	NDPG Account	11 060 607	
Standard Bank- Mandeni Branch		Acc./No. 068637527002	Call Deposit	Surplus funds	24 004	23 530
Nedbank-	Mandeni Branch:	Acc./No. 23581136/9998	Call Deposit	Surplus funds	5 392 161	5 057 822
					14 730 951	3 197 824
					<u>28 599 943</u>	<u>14 730 951</u>
					14 719 524	16 492 036
					<u>31 830 702</u>	<u>14 719 524</u>
					11 676	7 720
					31 889 417	14 214 091
					-	-

Cash on hand

Total cash and cash equivalents		

Total bank overdraft

The bank accounts have been reconciled separately as a change from last year.

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010		2009	
		R		R	
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		Provision for Doubtful Debts		Net Balance	
		R	R	R	R
<u>Trade receivables</u>					
as at 30 June 2010					
Service debtors					
Rates		43 729 758	(39 793 182)	3 936 576	
Electricity		1 688 217	(1 536 424)	151 793	
Refuse		19 033 561	(17 319 548)	1 714 013	
Total		64 451 536	(58 649 155)	5 802 381	
<u>Other receivables</u>					
Other receivables		1 093 604		1 093 604	
Total		1 093 604		1 093 604	
		65 545 140	(58 649 155)	6 895 985	
as at 30 June 2009					
Service debtors					
Rates		36 111 223	(17 964 516)	18 146 707	
Electricity		1 063 526	(529 081)	534 445	
Refuse		16 804 701	(8 359 958)	8 444 742	
Total		53 979 450	(26 853 556)	27 125 894	
<u>Other receivables</u>					
Other receivables		1 257 271		1 257 271	
Total		1 257 271		1 257 271	
		55 236 721	(26 853 556)	28 383 165	
		2010	R	2009	R
<u>Rates: Ageing</u>					
Current (0 – 30 days)				(1 626 275)	
31 - 60 Days				721 077	
61 - 90 Days				1 007 459	
91 - 120 Days				630 525	
121 - 365 Days				6 885 749	
+ 365 Days				36 111 223	
Total		43 729 758			-
<u>Electricity: Ageing</u>					
Current (0 – 30 days)				182 687	
31 - 60 Days				(46 402)	
61 - 90 Days				117 158	
91 - 120 Days				(15 145)	
121 - 365 Days				386 392	
+ 365 Days				1 063 526	
Total		1 688 217			-
<u>Refuse: Ageing</u>					
Current (0 – 30 days)				114 462	
31 - 60 Days				250 279	
61 - 90 Days				221 841	
91 - 120 Days				208 076	
121 - 365 Days				1 434 203	
+ 365 Days				16 804 701	
Total		19 033 561			-

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

<u>Summary of Debtors by Customer Classification</u>	Note	2010		2009
		R	R	R
	Consumers	Industrial / Commercial	National and Provincial Government	
as at 30 June 2010				
Current (0 – 30 days)		(205 845)	(1 129 638)	29 366
31 - 60 Days		420 822	320 753	208 803
61 - 90 Days		436 243	309 994	600 189
91 - 120 Days		262 328	(48 427)	597 148
121 - 365 Days		2 579 599	1 849 784	4 078 606
+ 365 Days		47 556 568	3 686 034	3 994 119
Sub-total		51 049 715	4 988 500	9 508 231
Less: Provision for doubtful debts		(45 678 789)	(4 463 661)	(8 507 873)
Total debtors by customer classification		5 370 926	524 839	1 000 358

as at 30 June 2009				
Current (0 – 30 days)		-	-	-
31 - 60 Days		-	-	-
61 - 90 Days		-	-	-
91 - 120 Days		-	-	-
121 - 365 Days		-	-	-
+ 365 Days		-	-	-
Sub-total		-	-	-
Less: Provision for doubtful debts		-	-	-
Total debtors by customer classification		-	-	-

Reconciliation of the doubtful debt provision

Balance at beginning of the year	26 853 556	27 523 099
Contributions to provision	31 795 599	8 485 071
Doubtful debts written off against provision	-	(9 154 615)
Reversal of provision	-	-
Balance at end of year	58 649 155	26 853 556

The municipality has changed the financial system as a result the comparative information on ageing is not available.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Insurance claims	137 259	101 086
Subsidies	1 004 000	471 500
Housing rental	40 230	40 230
Other debtors	796 339	198 638
Total Other Debtors	1 977 828	811 454

4 INVENTORIES

Opening balance of inventories:	271 307	195 577
Consumable stores - at cost	204 635	118 477
Maintenance materials - at cost	66 672	77 100
Additions:	953 488	1 026 870
Consumable stores	565 643	930 197
Maintenance materials	387 845	96 673
Issued (expensed):	(920 485)	(950 910)
Consumable stores	(536 869)	(843 810)
Maintenance materials	(383 616)	(107 100)

5 Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net

Replacement Cost (NRC):	279	(229)
Consumable stores	279	(229)
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Closing balance of inventories:	304 589	271 307
Consumable stores	233 688	204 635

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
Maintenance materials		70 902	66 672

6 INVESTMENTS

Deposits	-	23 530
Call investments	-	5 057 822
Transfer of call investments to Cash and cash equivalents		
Deposits		(23 530)
Call investments		(5 057 822)

This represents the change on the disclosure for Investments

----- - -----

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Investment Property	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	336 373	175 270	21 597 315	12 929 674	-	4 521 696	-	39 560 328
Cost/Revaluation	336 373	518 870	36 011 400	15 788 026	-	7 160 735	-	59 815 404
Accumulated depreciation and impairment losses	-	(343 600)	(14 414 085)	(2 858 352)	-	(2 639 039)	-	(20 255 076)
Acquisitions	-	-	13 567 124	99 155	-	2 359 857	-	16 026 136
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(17 296)	(2 539 047)	(479 866)	-	(741 548)	-	(3 777 756)
Carrying value of disposals	-	-	-	-	-	(17 803)	-	(17 803)
Cost/Revaluation	-	-	-	-	-	(199 045)	-	(199 045)
Accumulated depreciation and impairment losses	-	-	-	-	-	181 242	-	181 242
as at 30 June 2010	336 373	157 974	32 625 392	12 548 963	-	6 122 202	-	51 790 905
Cost/Revaluation	336 373	518 870	49 578 524	15 887 181	-	9 321 547	-	75 642 495
Accumulated depreciation and impairment losses	-	(360 896)	(16 953 132)	(3 338 218)	-	(3 199 345)	-	(23 851 590)

Refer to Appendix B for more detail on property, plant and equipment

[App B!A1](#)

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

8 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Investemnt Property	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	400 237	191 360	16 621 643	7 397 975	80 165	1 957 316	-	26 648 696
Cost/Revaluation	400 237	518 870	28 717 485	9 993 531	80 165	4 637 489	-	44 347 777
Accumulated depreciation and impairment losses	-	(327 510)	(12 095 842)	(2 595 556)	-	(2 680 173)	-	(17 699 081)
Acquisitions	-	-	7 293 915	5 794 495	-	2 991 651	-	16 080 061
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(16 090)	(2 318 243)	(262 796)	-	(376 687)	-	(2 973 816)
Carrying value of disposals	(63 864)	-	-	-	-	(50 584)	-	(114 448)
Cost/Revaluation	(63 864)	-	-	-	-	(468 405)	-	(532 269)
Accumulated depreciation and impairment losses	-	-	-	-	-	417 821	-	417 821
as at 30 June 2009	336 373	175 270	21 597 315	12 929 674	80 165	4 521 696	-	39 640 493
Cost/Revaluation	336 373	518 870	36 011 400	15 788 026	80 165	7 160 735	-	59 895 569
Accumulated depreciation and impairment losses	-	(343 600)	(14 414 085)	(2 858 352)	-	(2 639 039)	-	(20 255 076)

Refer to Appendix B for more detail on property, plant and equipment

[App B'!A1](#)

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2010 R	2009 R
-----------	-----------

9 INVESTMENT PROPERTY CARRIED AT COST

9.1 Reconciliation of carrying value

as at 1 July 2009
Cost

Investment property Y R	Total R
80 165 80 165	80 165 80 165

Acquisitions
Depreciation

as at 30 June 2010

Cost
Accumulated depreciation and impairment losses

80 165 80 165	80 165 80 165
-	-

9.2 Reconciliation of carrying value

as at 1 July 2008
Cost

Investment property R	Total R
80 165 80 165	80 165 80 165

Acquisitions
Depreciation

as at 30 June 2009

Cost
Accumulated depreciation and impairment losses

80 165 80 165	80 165 80 165
-	-

9.3 Description of Property

Portion 6 of Farm Lot 5 Ca No. 8440
Portion 7 of Farm Lot 5 Ca No. 8440
Lot 56 of Padianagar
Lot 1203 of Mandeni Aloe Road
Lot 571 of Mandeni - Anderson Road
Lot 504 of Mandeni - Matthews
Lot 327 of Mandeni - Greig Road
Lot 1466 of Mandeni Aloe Road
Lot 884 of Mandeni - 11 Inyathi Road
Portion 4 of Farm Lot 13 Tugela No.13862
Portion 2 of Farm Reserve No 21 No 16882
The Farm Lot 5 B No. 4351 Agricultural
The Farm Lot 5 Ca No. 8440
Remainder of Farm Lot 30 Inyoni No. 13890
Portion 1 of Farm Reserve No.21 No 16882

The fair value could not be determined reliably as the properties have not been put on market

13.6 Rental income from investment property

Direct operating expenses from rental generating property
Direct operating expenses from non-rental generating property

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

10 BIOLOGICAL ASSETS

14.1 Reconciliation of Carrying Value	Trees in plantation	Maize	Wheat	Sheep	Pigs
	R	R	R	R	R
as at 1 July 2009					
Cost/Valuation	-	-	-	-	-
Correction of error (note 48)	-	-	-	-	-
Change in accounting policy (note 47)					
Accumulated depreciation and impairment losses	-	-	-	-	-
Acquisitions	-	-	-	-	-
Decrease due to harvest/sales	-	-	-	-	-
Depreciation	-	-	-	-	-
Gains/losses from changes in fair value	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-
Cost/Valuation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
Other movements*	-	-	-	-	-
as at 30 June 2010					
Cost/Valuation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-

* Other movements consist of.....

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

14.1 Reconciliation of Carrying Value

	Trees in plantation R	Maize R	Wheat R	Sheep R	Pigs R
as at 1 July 2008					
Cost/Valuation	-	-	-	-	-
Correction of error (note 48)	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-
Acquisitions	-	-	-	-	-
Decrease due to harvest/sales	-	-	-	-	-
Depreciation	-	-	-	-	-
Gains/losses from changes in fair value	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-
Cost/Valuation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
Other movements*	-	-	-	-	-
as at 30 June 2009					
Cost/Valuation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-

* Other movements consist of.....

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
14.2 Non-financial information			
Quantities of each biological asset			
Trees in plantation			
Maize			
Wheat			
Sheep			
Pigs			
Dairy Cattle			
Other Assets			

14.3 Biological assets pledged as security

Asset 1 Terms and conditions	
Asset 2 Terms and conditions	

14.4 Assets carried at cost and accumulated depreciation and impairment losses

Describe the biological carried at cost less accumulated depreciation and impairment losses.

*Explain why fair value cannot be determined.
Disclose potential range of fair values of assets carried at cost.*

14.5 Methods and assumptions used in determining the fair value

Fair value less estimated point-of-sale costs of agricultural produce harvested
14.6 during the period, determined at the point of harvest

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
10 NON-CURRENT ASSETS HELD FOR SALE			
There are no non-current assets which are held for sale			
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		2 397 073	851 096
Bank deposits not yet receipted		456 030	297 243
Retention			
Other creditors		474 955	223 217
Total creditors		3 328 057	1 371 556
12 CONSUMER DEPOSITS			
Electricity		993 012	933 028
Total consumer deposits		993 012	933 028
No guarantees held in lieu of Electricity Deposits			
13 VAT PAYABLE			
VAT payable		1 546 869	3 724 359
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
14 VAT RECEIVABLE			
VAT receivable		1 241 407	3 664 651
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
15 PROVISIONS			
Provision for leave		2 689 523	1 799 537
Total Provisions		2 689 523	1 799 537
The movement in current provisions are reconciled as follows: -			
		Performance bonus	Provision for leave
as at 1 July 2009			1 799 537
Contributions to provision			1 387 387
Expenditure incurred			(497 401)
as at 30 June 2010			2 689 523
as at 1 July 2008			1 528 187
Contributions to provision			701 417
Expenditure incurred			(430 066)
as at 30 June 2009			1 799 537

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
--	------	-----------	-----------

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Unspent Conditional Grants from other spheres of Government

MIG Grant	3 152 718	5 425 534
Finance management grant	0	71 162
Municipal systems improvement grant	-0	30 617
Housing capital grant	22 715	679 805
NDP grant	10 584 745	-
Waste management grant	0	15 181
Management assistance programme	276 075	323 536
Umsobomvu youth fund	0	48 364
Corridor development grant income	1 663 406	1 800 459
IDP grant income	0	105 378
Local government support grant	397 556	-
Sport and recreation grant income	237 490	610 105
KZN library grant income	-	78 900

16.2 Other Unspent Conditional Grants and Receipts

Gijima grant income	13 959	49 502
Total Unspent Conditional Grants and Receipts	16 348 664	9 238 544

Non-current unspent conditional grants and receipts
Current portion of unspent conditional grants and receipts

- -

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

17 BORROWINGS

Annuity Loans	330 840	540 625
Other borrowings	-	-
Less : Current portion transferred to current liabilities		
Annuity Loans	(196 386)	(209 785)
Other borrowings	(196 386)	(209 785)
Total borrowings	134 454	330 840

Refer to Appendix A for more detail on borrowings.

18 FINANCE LEASE LIABILITY

2010

Amounts payable under finance leases

Within one year
Within two to five years

Less: Amount due for settlement within 12 months (current portion)

	Future finance charges R	Present value of minimum lease payments R
77 812	-	
171 536	-	
249 348	-	-
	-	
	-	

The average lease term is 5 years and the average effective borrowing rate is 11.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 2009	2010		Present value of minimum lease payments R
	R	2009 R	
Amounts payable under finance leases			
Within one year	77 812		
Within two to five years	249 348		-
	<u>327 160</u>		<u>-</u>
Less: Amount due for settlement within 12 months (current portion)			
			<u>-</u>
			<u>-</u>

The average lease term is 5 years and the average effective borrowing rate is 11.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

19 PROPERTY RATES

<u>Actual</u>	2010	2009
Residential	5 788 495	18 430 020
Commercial	10 023 222	-
State	6 102 542	-
Total property rates	21 914 259	18 430 020
Property rates - penalties imposed and collection charges	-	-
Total	21 914 259	18 430 020

Valuations

Residential	579 921 680	579 921 680
Commercial	94 741 500	94 741 500
Industrial	105 863 000	105 863 000
Industrial Estate Special	421 169 000	421 169 000
Mining	22 800 000	22 800 000
Agricultural	161 590 000	161 590 000
Agricultural	3 205 000	3 205 000
Institutional	32 896 800	32 896 800
Special Purpose		
Public Services Infrastructure	237 355 300	237 355 300
Municipal Property		
Total Property Valuations	1 659 542 280	1 659 542 280

Commercial includes industrial, mining and agriculture.
State includes institutional and public services infrastructure.

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

The following are the rates randage that were applied to the valuations in respect of the various categories: Residential-R0.0105 Commercial-R0.0169 Industrial-R0.0179 Industrial Special-R0.0116 Mining- R0.0200 Agriculture-R0.0026 Public Service Infrastructure-R0.0158 . All residential propertie owners are exempt from paying rates on the first R15000.00 value of property. All pensioners, disabled medically baorded owners are eligible for the rebates.

Rates are levied on an annual basis with the final date of payment being 31 May 2010 .

20 SERVICE CHARGES

Sale of electricity	8 225 499	5 643 685
Refuse removal	4 676 161	4 522 935
Total Service Charges	12 901 660	10 166 620

21 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	185 744	149 197
Total rentals	185 744	149 197

22 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	794 868	5 535 006
Total interest	860 987	5 535 006

23 INTEREST EARNED - OUTSTANDING RECEIVABLES

Consumer debtors	295 864	113 769
Total interest	295 864	113 769

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
24 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	40 644 965	29 924 749
MIG Grant	15 355 514	13 007 784
Finance management grant	750 000	500 000
Municipal systems improvement grant	438 639	400 000
Housing capital grant	24 207 634	1 370 327
NDP grant	3 225 365	-
Waste management grant	-	204 000
Management assistance programme	123 925	700 000
Grant roll overs	1 726 790	-
Umsobomvu youth fund	-	220 833
Corridor development grant income	-	1 800 000
IDP grant income	-	100 000
Gijima grant income	-	229 821
Local government support grant	202 444	-
Health subsidy	1 008 600	721 953
Sport and recreation grant income	-	1 350 000
Property rates grant income	-	650 000
KZN library grant income	-	78 900
Total Government Grant and Subsidies	87 683 875	51 258 367

24.1 Equitable Share

Balance unspent at beginning of year		
Current year receipts	40 644 965	29 924 749
Conditions met - transferred to revenue	(40 644 965)	(29 924 749)
Conditions still to be met - remain liabilities (see note 14)	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All Approved registered indigents are written off at year end funded by this grant.

24.2 MIG Grant

Balance unspent at beginning of year		
Current year receipts	5 425 534	778 813
Conditions met - transferred to revenue	13 082 697	13 007 784
Conditions still to be met - remain liabilities (see note 14)	(15 355 514)	(8 361 063)
	3 152 718	5 425 534

This grant is used to construct roads infrastructure

24.3 Finance Management Grant

Balance unspent at beginning of year		
Current year receipts	71 162	304 884
Conditions met - transferred to revenue	750 000	500 000
Conditions still to be met - remain liabilities (see note 14)	(821 162)	(733 722)
	0	71 162

This grant is used to set up and support the budget and treasury office and financing the appointment of finance Interns

24.4 Municipal Systems Improvement Grant

Balance unspent at beginning of year		
Current year receipts	30 617	-
Conditions met - transferred to revenue	408 021	400 000
Conditions still to be met - remain liabilities (see note 14)	(438 639)	(369 383)
	(0)	30 617

This grant was used to implement new financial system, the GRAP conversion process, ward participation and debt management activities.

24.5 Housing Grant

Balance unspent at beginning of year		
Current year receipts	679 805	1 203 863
Conditions met - transferred to revenue	23 038 169	1 370 327
Conditions still to be met - remain liabilities (see note 14)	(23 695 259)	(1 894 385)
	22 715	679 805

This grant is used to construct the low cost housing infrastructure by the Department of Housing (Provincial).

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
24.6 Neighbourhood Development Partnership Grant		
Balance unspent at beginning of year		
Current year receipts	14 261 661	-
Conditions met - transferred to revenue	(3 676 916)	-
Conditions still to be met - remain liabilities (see note 14)	10 584 745	-
<i>Focus of the grant is to stimulate and accelerate investment in poor underserviced residential neighbourhood.</i>		
24.7 Waste Management Grant		
Balance unspent at beginning of year		
Current year receipts	15 181	-
Conditions met - transferred to revenue	171 391	204 000
Conditions still to be met - remain liabilities (see note 14)	(186 571)	(188 819)
	0	15 181
<i>The grant has been used to develop the waste management master plan</i>		
24.8 Management Assistance Programme		
Balance unspent at beginning of year		
Current year receipts	323 536	7 094
Conditions met - transferred to revenue	400 000	700 000
Conditions still to be met - remain liabilities (see note 14)	(447 461)	(383 558)
	276 075	323 536
<i>The grant is used to set policies and procedures and the issues of good governance</i>		
24.9 Umsobomvu youth Grant		
Balance unspent at beginning of year		
Current year receipts	48 364	-
Conditions met - transferred to revenue	(48 364)	220 833
Conditions still to be met - remain liabilities (see note 15)	0	(172 469)
	48 364	48 364
<i>The fund was used for the initiatives of the umsobomvu youth council to decimate the youth needs at local level to promote access to information and business ownership to reduce unemployment.</i>		
24.1 Corridor Development Grant		
Balance unspent at beginning of year		
Current year receipts	1 800 459	899 155
Conditions met - transferred to revenue	-	1 800 000
Conditions still to be met - remain liabilities (see note 14)	(137 054)	(898 696)
	1 663 406	1 800 459
<i>This grant is used to promote local economic development on tourism nodes identified by KZN Corridor Development Programme within the Northern Municipal Planning Region. A beach facilities have been created.</i>		
24.11 Intergrated Development Plan Grant		
Balance unspent at beginning of year		
Current year receipts	105 378	86 320
Conditions met - transferred to revenue	-	100 000
Conditions still to be met - remain liabilities (see note 14)	(105 378)	(80 942)
	0	105 378
<i>This grant was used to assist the municipalities to improve the IDP implementation</i>		
24.12 Gijima Grant		
Balance unspent at beginning of year		
Current year receipts	49 502	172 265
Conditions met - transferred to revenue	-	491 104
Conditions still to be met - remain liabilities (see note 14)	(35 543)	(613 867)
	13 959	49 502
<i>The funds received and utilised for the promotion of tourism and LED activities</i>		

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
24.13 Local Government Support Grant		
Balance unspent at beginning of year		
Current year receipts	600 000	-
Conditions met - transferred to revenue	(202 444)	-
Conditions still to be met - remain liabilities (see note 14)	397 556	-
<i>This is the initiative by Provincial COGTA to ensure that proper governance structure are created in municipalities.</i>		
24.14 Health subsidy Grant		
Balance unspent at beginning of year		
Current year receipts	1 068 600	-
Conditions met - transferred to revenue	(1 068 600)	-
Conditions still to be met - remain liabilities (see note 14)	-	-
<i>Municipality renders health services on behalf of the Provincial Government. The grant is used to fund the clinic services. There has been a delay in the transfer of funds</i>		
24.15 Sport and recreation Grant		
Balance unspent at beginning of year	610 105	1 941 829
Current year receipts	-	1 350 000
Conditions met - transferred to revenue	(372 615)	(2 681 723)
Conditions still to be met - remain liabilities (see note 14)	237 490	610 105
<i>Department of sport and recreation provide funds for the development of local sport facilities. Three stadiums have been build.</i>		
24.16 Property rates Grant		
Balance unspent at beginning of year		
Current year receipts	-	650 000
Conditions met - transferred to revenue	-	(650 000)
Conditions still to be met - remain liabilities (see note 14)	-	-
<i>The grant was used to supplement the funding of development of municipal valuation roll and implementation of the Property rates Act.</i>		
24.17 KZN Library grant		
Balance unspent at beginning of year	78 900	78 900
Current year receipts	-	78 900
Conditions met - transferred to revenue	(78 900)	-
Conditions still to be met - remain liabilities (see note 14)	-	78 900
<i>This grant is utilised to fund the acquisition of library materials</i>		
24.18 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
Other income	948 460	765 953
VAT Claim on grant expenditure that have met conditions	2 364 370	-
Total Other Income	3 312 829	765 953

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
26 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	15 908 472	14 418 247
Employee related costs - Contributions for UIF, pensions and medical aids	3 643 226	3 343 202
Travel, motor car, accommodation, subsistence and other allowances	875 611	925 073
Housing benefits and allowances	157 745	211 989
Overtime payments	224 772	257 536
Performance and other bonuses	-	80 486
Long-service awards	-	-
Leave provision - Contribution	1 305 919	-
Total Employee Related Costs	22 115 746	19 236 533

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager

Annual Remuneration	541 674	432 012
Performance- and other bonuses	-	45 448
Travel, motor car, accommodation, subsistence and other allowances	260 818	223 224
Contributions to UIF, Medical and Pension Funds	82 664	90 368
Total	885 156	791 052

Remuneration of the Chief Finance Officer

Annual Remuneration	466 414	321 739
Performance- and other bonuses	-	29 011
Travel, motor car, accommodation, subsistence and other allowances	235 689	195 193
Contributions to UIF, Medical and Pension Funds	27 104	29 879
Total	729 206	575 822

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration	466 414	466 414	-
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	166 660	224 982	-
Contributions to UIF, Medical and Pension Funds	96 047	37 880	-
Total	729 121	729 276	-

2009

	Technical Services R	Corporate Services R	Community Services R
2009			
Annual Remuneration	321 739	321 739	-
Performance- and other bonuses	38 682	-	-
Travel, motor car, accommodation, subsistence and other allowances	134 058	159 312	-
Contributions to UIF, Medical and Pension Funds	91 015	65 760	-
Total	585 494	546 811	-

Employee related cost 30 June 2009

Leave pay provision	674 997.2
Workmens Compensation	262 238.3
Total Employee Related Costs	
	25 188 504.8
	22 672 947.4

This represent the reclassification of expenditure in 2008/2009 employee related costs

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
27 REMUNERATION OF COUNCILLORS			
Executive Mayor		265 008	237 042
Deputy Executive Mayor		150 960	138 104
Speaker		334 422	273 525
Executive Committee Members		713 868	594 741
Councillors		3 078 758	2 794 743
Councillors' pension and medical aid contributions		-	-
Councillors' allowances		1 671 051	1 479 093
Total Councillors' Remuneration		6 214 068	5 517 247

In-kind Benefits

The Speaker is full-time. The Mayor and the Speaker are provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has two part time bodyguards.

28 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment		3 777 756	3 423 787
Intangible assets		-	-
Investment property carried at cost		-	-
Total Depreciation and Amortisation		3 777 756	3 423 787

29 FINANCE COSTS

Borrowings		77 635	879 447
Total Finance Costs		77 635	879 447

30 BULK PURCHASES

Electricity		4 367 300	3 350 803
Total Bulk Purchases		4 367 300	3 350 803

31 CONTRACTED SERVICES

Contracted services for:			
Security of municipal property		1 406 315	887 647
Solid waste management		5 216 594	4 720 409
Total Contracted Services		6 622 909	5 608 056

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
32 GRANTS AND SUBSIDIES PAID			
Free basic electricity		360 926	364 136
Management assistance programme		123 925	707 094
Finance management grant		750 000	500 000
Municipal systems improvement grant		438 639	400 000
Local economic development		132 103	169 353
Grant in aid		90 500	99 357
Grants rolled over		1 726 695	-
Housing capital		24 207 634	1 370 327
MIG Capital		15 355 514	13 003 370
NDPG Capital		3 225 365	-
Local government support grant		202 444	
Corridor development			1 800 000
Umsobomvu youth fund			220 833
Waste management grant			203 999
Property rates			650 000
Gijima			229 821
Sport and recreation			1 350 000
IDP grant			100 000
KZN Library			78 900
Disaster relief			4 284
		46 613 744	21 251 473

Grant in aid is paid to Tugela mouth organisation and Ezemvelo wild life

33 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising - Statutory	168 443	114 172
Aids Awareness Campaign	34 265	35 348
Arts and Culture Forum	4 584	6 629
External Audit	996 063	792 830
Audit Committees	51 103	45 396
Bank Charges	178 115	94 844
Community and Municipal Publications	-	48 000
Community Forum	-	11 500
Contribution to Capital Outlay	338 300	-
Dog Unit	776	-
Educators Forum	4 399	4 956
Electricity - Health	36 842	21 922
Electricity - internal	368 484	273 290
Environmental Forum	1 380	2 298
Fire Arm Shooting	560	-
Fuel & Oil	770 913	613 053
GRAP Implementation	222 505	-
Health Supplies	56 142	82 495
Hire Charges	341 296	390 833
Ilembe Water and Sewerage Charges	590 462	458 634
Insurances - General	237 126	179 874
Internal Audit	367 798	409 361
Leases- Office Equipment	172 990	126 904
Leases- Vehicles	849 736	746 541
LED Forum	5 593	9 002
Legal & Professional	930 428	60 701
Licences	362 549	151 079
Literature Acts & Books	19 167	17 854
Master system plan/IT plan ,Strategy	153 589	174 100
Office Cleaning	93 437	95 026
Office Teas	9 983	6 387
Pauper / Indigent Burial	82 815	35 735
Pension Surcharge	-	58 552
Postage	212 530	174 301
Printing & Stationery	249 976	314 855
Printing and Stationery - Registry	6 035	37 340
Printing and Stationery - Sec	179	-
Property Revaluation	62 500	-
Protection Services	10 089	5 231
Public Functions & Entertainment	153 884	21 409
Public Participation	18 244	-
Publications	94 624	-
Rates - Council Property	9 714	5 690
Refuse - General	87 774	16 775
Small Tools	26 965	25 570
Special programmes	141 858	-
Sports and Recreation	329 797	275 667
Subscriptions	107 607	89 652
Subsistence & Travelling	533 264	245 010
Sundry Expenses	178 232	22 239
Telephone	1 173 020	580 557
Town Planning Costs	95 354	-
Traffic and Law Enforcement Programme	-	10 500
Training and Development	329 354	426 373
Tuck Shop - Expenses	525	-
Uniforms	77 116	-
Vehicle Subsidy	-	-
Ward Committees	60 114	15 624
Workmens Compensation	-	-
Youth programmes	355 179	155 510

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
	<u>11 763 776</u>	<u>7 489 617</u>

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
34 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT			
No fair value adjustments made on assets			
35 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		(14 481 619)	7 479 404
Adjustment for:-		3 777 756	3 423 787
Depreciation and amortisation		1 305 919	9 126 149
Contribution to provisions - current		77 635	879 447
Finance costs		162 806	
Interest and penalties VAT		9 511	
Sundry Expenses		(1 156 851)	(5 648 775)
Interest earned		(1 008 600)	
Other non-cash item :Health Subsidy		(1 726 789)	
Other non-cash item :Roll over grants		(2 364 370)	
Operating surplus before working capital changes:		(15 471 358)	15 260 013
(Increase)/decrease in inventories		(33 282)	(75 730)
(Increase)/decrease in trade receivables		21 487 180	(215 482)
(Increase)/decrease in other receivables		(1 166 374)	617 605
(Increase)/decrease in VAT receivables		2 423 244	3 428 876
Increase/(decrease) in conditional grants and receipts		1 956 501	(3 002 164)
Increase/(decrease) in trade payables		59 985	
Increase/(decrease) in consumer deposits		(2 177 489)	1 144 034
Increase/(decrease) in VAT payable		7 078 406	17 157 152
Cash generated by/(utilised in) operations			
36 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		31 889 417	14 214 091
Bank overdrafts		-	-
Net cash and cash equivalents (net of bank overdrafts)		31 889 417	14 214 091
37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term liabilities		330 840	540 625
Used to finance property, plant and equipment – at cost		(330 840)	(540 625)
Sub- total			
Cash set aside for the repayment of long-term liabilities			
Cash invested for repayment of long-term liabilities			
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.			
38 CHANGE IN ACCOUNTING POLICY			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies as at 30 June 2008			
38.1 Statutory Funds			
Balance previously reported: - 30.06.2008			
Capital Development Fund		8 467 699	
Loan Redemption Fund		110 679	
Public Improvement Fund		6 279 715	
Total		-	14 858 093
Housing fund			
Balance		1 394 440	1 215 149
Interest income		109 999	179 291
Total		1 504 439	1 394 440
Interest on housing fund			
Balance		109 999	179 291
Interest received		(109 999)	(179 291)
Transfer to Housing fund			
Total		-	-
Loans Redeemed and Other Capital Receipts			
Balance previously reported: - 30.06.2008			
Loans Redeemed and Other Capital receipts		41 809 607	

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
Total	-	<u>41 809 607</u>

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 35.2 below)	14 858 093	
Transferred to Accumulated Surplus	41 809 607	
	-	56 667 700

Accumulated Depreciation		
Balance previously reported - 30.06.2008		
Implementation of GRAP		
Backlog depreciation: Land and buildings	(327 510)	
Backlog depreciation: Infrastructure	(12 095 842)	
Backlog depreciation: Community	(2 595 556)	
Backlog depreciation: Other	(2 680 173)	
Total (debited to Accumulated Surplus/(Deficit)) (see 35.2 below)	-	(17 699 081)

Correction of errors in accordance with GRAP 3

The comparative amount has been restated as follows:-

Asset adjustments made to previous year's balances due to Asset Register update.	
as at 30.06.2008	
Reduction in Accumulated Depreciation at Cost	
Adjustment to offsetting depreciation on opening balance	355 912
Adjustment to assets funded from revenue for the year	355 912

Correction of errors in accordance with GRAP 3

The comparative amount has been restated as follows:-

Reduction in Accumulated Depreciation at Cost	(3 028)
Adjustment to offsetting depreciation on opening balance	(193 400)
Adjustment to assets funded from revenue for the year	(332 588)
Adjustment to offsetting depreciation 2009	449 971
Incorrect take on balance on accumulated surplus	476 371
Write off claim on stolen cash in 2007	(128 948)
Incorrect allocation	93 098
	440 521
	(529 016)

Surplus for the Year previously reported - 30.06.2009

Implementation of GRAP		
Reversal of capital charges made to Reserves	538 619	
Reversal of Contribution made to Funds	2 031 022	
Reversal of transfers made to Capital Outlay	2 387 752	
Interest capitalised on investment maturity	4 396 462	
Correction to Reduce grant expenditure	4 414	
Depreciation 2008/2009	(3 423 787)	
Revised Surplus for the year	7 479 404	

38.2 Accumulated Surplus/(Deficit)

	30.06.2010	30.06.2009	30.06.2008
Balance previously reported -			
Implementation of GRAP			
Transferred from statutory funds (see 35.1 above)			
Changes in accounting policy to Clear Reserves (see Note 35.1 above)			
Backlog depreciation 30.06.2008 (see 35.1 above)			
Correction of prior years errors Accumulated depreciation			
Correction of prior years errors			
Conditional Capital grants recognised			
Conditional Capital grants recognised			
Surplus for the year			
Asset disposals			
	67 533 106	47 358 064	8 033 533
	440 521	(529 016)	14 858 093
	13 496 919	13 339 102	41 809 607
	-14 481 619	7 479 404	(17 699 081)
	66 988 926	67 533 106	355 912
			47 358 064

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
--	------	-----------	-----------

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised expenditure

39.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	5 659		
Fruitless and wasteful expenditure current year	157 145	5 659	
Condoned or written off by Council			
To be recovered – contingent asset			
Fruitless and wasteful expenditure awaiting condonement	162 804	5 659	

Incident	Disciplinary steps/criminal proceedings
Interest paid on arrear eskom account.	5 659
Interest and penalties on under-declared income to SARS	162 804

39.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	31 726		
Irregular Expenditure			
Condoned or written off by Council	(31 726)	31 726	
Transfer to receivables for recovery – not condoned			
Irregular expenditure awaiting condonement	40 064 356	40 064 356	31 726

Incident	Disciplinary steps/criminal proceedings
Payments made without Reasons for not having three quotation	665 052
No public invitation was made for quotations above R30 000.00	114 912
Procurement made without preference points system being used.	200 295
Payments made without obtaining Tax clearance	1 152 129
Awards made that are above R10 Million before 30 days advertising period	37 931 968
<i>Incorrect payment to service provider X Gigaba. Attorney were appointed to recoup the money</i>	31 726

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

40 MANAGEMENT ACT

40.1 Contributions to organised local government

Opening balance	-		
Council subscriptions	89 652	89 652	
Amount paid - current	(89 652)	(89 652)	
Balance unpaid (included in payables)	-	-	

40.2 Audit fees

Opening balance	-		
Current year audit fee	996 063	792 830	
Amount paid - current year	(996 063)	(792 830)	
Balance unpaid (included in payables)	-	-	

40.3 VAT

VAT payable for the year	1 546 869	3 724 359
--------------------------	-----------	-----------

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
40.4 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		3 772 978	3 377 822
Amount paid - current year		(3 772 978)	(3 377 822)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-

The balance represents PAYE and UIF deducted from the June 20X2 payroll.
These amounts were paid during July 20X2

40.5 Pension and Medical Aid Deductions

Opening balance			
Current year payroll deductions and Council Contributions		6 092 609	2 993 310
Amount paid - current year		(6 092 609)	(2 993 310)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-

The balance represents pension and medical aid contributions deducted from employees payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2010

40.6 Councillor's arrear consumer accounts

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
No Councillors were in arrears account for more than 90 days as at 30 June 2010.		-	-

40.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

41 CAPITAL COMMITMENTS

41.1 Commitments in respect of capital expenditure

- Approved and contracted for	23 854 266	38 882 666
Infrastructure	23 854 266	38 882 666
Community		
Heritage		
Other		
- Approved but not yet contracted for	195 095	-
Infrastructure	195 095	-
Community		
Heritage		
Other		
Total	24 049 361	38 882 666

This expenditure will be financed from:

- External Loans	24 049 361	15 371 285
- Government Grants		
- Own resources		
- District Council Grants		
	24 049 361	38 882 666

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
41.2 Operating leases		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Operating leases - lessee		
Within one year	1 128 209	1 112 671
In the second to fifth year inclusive	1 247 331	1 768 234
After five years	-	
Total	2 375 539	2 880 905

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

42 RETIREMENT BENEFIT INFORMATION

Defined benefit plan

The following are defined benefit plans :Natal Joint Superannuation, Retirement and Provident Funds (NJMP) . These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2006.

An interim valuation carried out on the NJMP Superannuation (defined benefit) at 31 March 2006 concluded that the surcharge of 6% be retained for the year 30 June 2007 and thereafter at 4.5%.

The latest statutory valuation of the NJMP Retirement (defined benefit) as at 31 March 2007 reflect a fund deficit of R229.8 million in respect of the members. The total contribution rate payable , including the total surcharge of 14% will be eliminate the deficit by the year 2010.

The latest statutory valuation of the NJMP Provident Fund (defined contribution) as at 3 March 2007 revealed that the fund was in a sound financial position.

An amount of R3 934 951.34 was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

43 CONTINGENT LIABILITY

Manadeni municipality vs Sparks motors	1 500 000	1 500 000
--	-----------	-----------

Claim against the Municipality on service contract cancelled before it expire. Denyes Reitz attorneys are involved in the matter to defend the claim. We were advised by the attorneys that there is a 50% chance to win the matter. The matter is pursuit after the clarity on estimate liability was confirmed at R1 500 000.00

44 CONTINGENT ASSET

No contingent asset was reported in this financial year

45 RELATED PARTIES

No information was received on the related parties

46 EVENTS AFTER THE REPORTING DATE

There are no events that were reported are the reporting date

47 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets

MANDENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:		

48 RISK MANAGEMENT

48.1 Maximum credit risk exposure

The Municipality's activities expose it to a variety of financial risks: market risk (including Currency risk and interest rate risk), credit risk and liquidity risk.

48.2 Currency Risk

The Municipality does not purchase any items in foreign currency.

48.3 Credit Risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation and cause the Municipality to incur a financial loss.

The Council monitors receivable balances on an ongoing basis. An appropriate level of provision is maintained.

48.4 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Municipality's liabilities are backed by appropriate assets and it has liquid resources. The Council monitors the cash projections and by ensuring that adequate borrowing facilities are available to meet cash requirements.

48.5 Interest Rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates. This risk is managed on an ongoing basis.

49 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

MANDENI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS

as at 30 June 2010

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equipment		Other Costs in accordance with MFMA	
							R	R	R	R
ANNUITY LOAN										
DBSA @ 15,82%	1	31/12/2010	119 792		75 431	44 361	-	-	-	-
DBSA @ 15,82%	2	31/12/2011	235 704		85 270	150 434	-	-	-	-
DBSA @ 15,82%	3	31/12/2011	74 078		26 799	47 279	-	-	-	-
DBSA @ 15,82%	4	31/12/2013	111 050		22 286	88 764	-	-	-	-
TOTAL EXTERNAL LOANS			540 624	-	209 785	330 839				

MANDENI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land	336 373	-	-		336 373				-	-	-	-	336 373
	336 373	-	-	-	336 373	-	-	-	-	-	-	-	336 373
Buildings													
Buildings	518 870	-	-	-	518 870	(343 600)	(17 296)	-	-	(360 896)	-	-	157 974
Infrastructure													
Roads	32 875 209	13 469 749	-	-	46 344 958	(11 699 254)	(2 446 546)	-	-	(14 145 800)	-	-	32 199 158
Electricity Mains	3 136 191	97 375	-	-	3 233 566	(2 714 831)	(92 501)	-	-	(2 807 332)	-	-	426 234
	36 011 400	13 567 124	-	-	49 578 524	(14 414 085)	(2 539 047)	-	-	(16 953 132)	-	-	32 625 392
Community Assets													
Recreation Grounds	12 143 133	99 155	-	-	12 242 288	(1 940 439)	(410 328)	-	-	(2 350 767)	-	-	9 891 521
Civic Buildings	2 311 469	-	-	-	2 311 469	(914 721)	(69 248)	-	-	(983 969)	-	-	1 327 500
Stadiums	1 333 424	-	-	-	1 333 424	(3 192)	(290)	-	-	(3 482)	-	-	1 329 942
	15 788 026	99 155	-	-	15 887 181	(2 858 352)	(479 866)	-	-	(3 338 218)	-	-	12 548 963
Investment Property													
Investment Property	80 165				80 165								80 165
	80 165	-	-	-	80 165	-	-	-	-	-	-	-	80 165
Total carried forward	52 734 834	13 666 279	-	-	66 401 113	(17 616 037)	(3 036 208)	-	-	(20 652 245)	-	-	45 748 867

MANDENI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Total brought forward	52 734 834	13 666 279	-	-	66 401 113	(17 616 037)	(3 036 208)	-	-	(20 652 245)	-	-	45 748 867
Other Assets													
Office Equipment	320 944	8 650	(8 430)	-	321 164	(176 535)	(50 328)	8 430	-	(218 433)	-	-	102 731
Furniture & Fittings	263 432	53 987	-	-	317 419	(196 849)	(17 446)	-	-	(214 295)	-	-	103 124
Bins and Containers	114 385	-	-	-	114 385	(28 340)	(11 439)	-	-	(39 779)	-	-	74 606
Emergency Equipment	2 390 746	157 023	(91 570)	-	2 456 199	(144 352)	(190 147)	77 047	-	(257 452)	-	-	2 198 747
Motor vehicles	2 433 397	1 553 380	(48 973)	-	3 937 804	(918 471)	(305 938)	48 973	-	(1 175 436)	-	-	2 762 368
Computer Equipment	1 262 184	575 917	(50 072)	-	1 788 029	(985 593)	(136 656)	46 792	-	(1 075 457)	-	-	712 572
Other Assets	375 647	10 900	-	-	386 547	(188 899)	(29 594)	-	-	(218 493)	-	-	168 054
	7 160 735	2 359 857	(199 045)	-	9 321 547	(2 639 039)	(741 548)	181 242	-	(3 199 345)	-	-	6 122 202
Finance Lease Assets													
	-	-	-	-	-	-	-	-	-	-	-	-	-

Total	59 895 569	16 026 136	(199 045)	-	75 722 660	(20 255 076)	(3 777 756)	181 242	-	(23 851 590)	-	-	51 871 070
-------	------------	------------	-----------	---	------------	--------------	-------------	---------	---	--------------	---	---	------------

MANDENI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

Land	Cost / Revaluation					Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	R			
	R	R	R	R	R	R	R	R	R	R	R			
Land	400 237	-	(63 864)		336 373									336 373
	400 237	-	(63 864)	-	336 373	-	-	-	-	-	-	-	-	336 373
Buildings	518 870	-	-	-	518 870	(327 510)	(16 090)	-	-	(343 600)	-	-	-	175 270
Infrastructure														
Roads	25 581 294	7 293 915	-	-	32 875 209	(9 523 729)	(2 175 525)	-	-	(11 699 254)	-	-	-	21 175 955
Electricity Mains	3 136 191	-	-	-	3 136 191	(2 572 113)	(142 718)	-	-	(2 714 831)	-	-	-	421 360
Community Assets	28 717 485	7 293 915	-	-	36 011 400	(12 095 842)	(2 318 243)	-	-	(14 414 085)	-	-	-	21 597 315
Recreation Grounds	6 348 638	5 794 495	-	-	12 143 133	(1 741 901)	(198 538)	-	-	(1 940 439)	-	-	-	10 202 694
Civic Buildings	2 311 469	-	-	-	2 311 469	(850 731)	(63 990)	-	-	(914 721)	-	-	-	1 396 748
Stadiums	1 333 424	-	-	-	1 333 424	(2 924)	(268)	-	-	(3 192)	-	-	-	1 330 232
Investment Property	9 993 531	5 794 495	-	-	15 788 026	(2 595 556)	(262 796)	-	-	(2 858 352)	-	-	-	12 929 674
Investment Property	80 165				80 165									80 165
Total carried forward	39 710 288	13 088 410	(63 864)	-	52 734 834	(15 018 908)	(2 597 129)	-	-	(17 616 037)	-	-	-	35 118 797

MANDENI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	R			
	R	R	R	R	R	R	R	R	R	R	R			
Total brought forward	39 710 288	13 088 410	(63 864)	-	52 734 834	(15 018 908)	(2 597 129)	-	-	(17 616 037)	-	-	-	35 118 797
Other Assets														
Office Equipment	183 067	137 877	-	-	320 944	(144 411)	(32 124)	-	-	(176 535)	-	-	-	144 409
Furniture & Fittings	276 192	-	(12 760)	-	263 432	(185 031)	(19 474)	7 656	-	(196 849)	-	-	-	66 583
Bins and Containers	92 547	21 838	-	-	114 385	(19 281)	(9 059)	-	-	(28 340)	-	-	-	86 045
Emergency Equipment	296 452	2 126 807	(32 513)	-	2 390 746	(189 138)	20 417	24 369	-	(144 352)	-	-	-	2 246 394
Motor vehicles	1 919 439	513 958	-	-	2 433 397	(716 529)	(201 942)	-	-	(918 471)	-	-	-	1 514 926
Computer Equipment	1 520 789	76 530	(335 135)	-	1 262 184	(1 181 377)	(102 015)	297 799	-	(985 593)	-	-	-	276 591
Other Assets	349 003	114 641	(87 997)	-	375 647	(244 406)	(32 490)	87 997	-	(188 899)	-	-	-	186 748

	4 637 489	2 991 651	(468 405)	-	7 160 735	(2 680 173)	(376 687)	417 821	-	(2 639 039)	-	-	4 521 696
Finance Lease Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	44 347 777	16 080 061	(532 269)	-	59 895 569	(17 699 081)	(2 973 816)	417 821	-	(20 255 076)	-	-	39 640 493

MANDENI MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	266 930	101 867			368 797	153 933	21 411		175 345	193 452	
Finance & Admin	2 798 077	579 184		(58 502)	3 318 759	1 409 881	171 305	(55 222)	1 525 965	1 792 795	
Planning & Development	4 732 068	1 642 036			6 374 105	1 050 123	474 933		1 525 055	4 849 050	
Health	265 217				265 217	78 957	16 483		95 440	169 776	
Community & Social Services	5 956 468	20 647			5 977 115	1 721 019	149 987		1 871 005	4 106 110	
Public Safety	745 989	95 778			841 767	345 162	92 787		437 949	403 818	
Sport & Recreation	7 546 068	19 500		(91 570)	7 473 997	569 807	266 548	(77 047)	759 309	6 714 688	
Environmental Protection					-				-	-	
Waste Management	5 928				5 928	2 841	593		3 433	2 495	
Road Transport	33 865 719	13 469 749		(48 973)	47 286 494	12 028 006	2 461 659	(48 973)	14 440 691	32 845 803	
Water					-				-	-	
Electricity	2 907 099	97 375			3 004 474	2 527 834	95 712		2 623 546	380 928	
Housing	806 007				806 007	367 514	26 338		393 852	412 155	
Total	59 895 569	16 026 137	-	(199 045)	75 722 661	20 255 077	3 777 756	(181 242)	23 851 591	51 871 070	

MANDENI MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009			2009			2010		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)			
R	R	R	R	R	R			
2 593 322	8 993 895	(6 400 573)	Executive & Council	14 867 223	15 993 210	(1 125 987)		
53 741 911	22 882 255	30 859 656	Finance & Admin	54 808 549	45 478 053	9 330 496		
18 136 485	22 592 397	(4 455 912)	Planning & Development	18 751 559	24 703 640	(5 952 081)		
721 953	1 524 165	(802 212)	Health	1 068 600	1 321 684	(253 084)		
147 860	6 017 030	(5 869 170)	Community & Social Services	97 842	9 388 813	(9 290 972)		
2 341 085	4 464 531	(2 123 446)	Public Safety	2 155 222	5 478 875	(3 323 653)		
	-		Sport & Recreation			-		
	-		Environmental Protection			-		
4 523 817	4 944 434	(420 617)	Waste Management	4 676 161	5 304 961	(628 800)		
	4 533 446	(4 533 446)	Road Transport		5 363 227	(5 363 227)		
		-	Water			-		
6 517 605	5 266 144	1 251 461	Electricity	8 771 018	6 632 490	2 138 528		
	26 338	(26 338)	Housing	24 207 634	24 220 473	(12 838)		
88 724 039	81 244 635	7 479 404	Less: Inter-Department Charges	129 403 808	143 885 425	(14 481 617)		
88 724 039	81 244 635	7 479 404	Total	129 403 808	143 885 425	(14 481 617)		

ANNEXURE E (1)

Statement of comparative budget and actual information

Description	2009/10								
	Original Budget	Budget Adjustment (i.e s28 and s31 of the MFMA)	Virement (i.e Council approved by - law)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of Final Budget	Actual outcome as % of Original Budget
1	2	3	4	5	6	7	8	9	
Financial Performance									
Property Rates	20 153 495	20 153 495		20 153 495	21 914 259		1 760 764	109	109
Service Charges	12 945 622	12 946 054		12 946 054	12 901 660		-44 394	100	100
Investment Income	500 000	800 000		800 000	860 987		60 987	108	172
Transfers recognised -Income	37 096 447	38 681 447		38 681 447	44 895 363		6 213 916	116	121
Other Own Income	5 477 952	7 577 952		7 577 952	5 964 586		-1 613 366	79	109
Total Revenue (excluding capital transfers and contributions)	76 173 516	80 158 948	-	80 158 948	86 536 655	-	6 377 906	511	611
Employee costs	24 001 334	24 001 334		24 001 334	25 188 505		1 187 171	105	105
Remuneration of councillors	6 539 763	6 539 763		6 539 763	6 214 068		-325 696	95	95
Debt impairment	-	-		-	31 795 601		-	-	-
Depreciation and asset impairment	2 030 767	2 030 767		2 030 767	3 777 756		1 746 989	186	186
Finance Charges	676 332	576 332		576 332	77 635		-498 697	13	11
Material and bulk purchases	16 802 656	18 039 656		18 039 656	18 081 002		41 346	100	108
Transfers and Grants	8 497 500	8 114 385		8 114 385	3 825 231		-4 289 154	47	45
Other Expenditure	15 351 664	16 836 779		16 836 779	11 720 375		-5 116 404	70	76
Total Expenditure	73 900 016	76 139 016	-	76 139 016	100 680 173	-	24 541 157	616	626
Surplus /Deficit)	2 273 500	4 019 932	-	4 019 932	-14 143 318	-	-18 163 251	-106	-16
Transfers recognised- Capital									
Contributions recognised- Capital and contributed assets	2 273 500	3 253 500		3 253 500	338 300		-2 915 200	10	15
Surplus/(deficit) after Capital Transfers and Contributions	0	766 432	-	766 432	-14 481 619	-	-15 248 051	-116	-31
Share of surplus/(deficit) of associates									
Surplus/ (Deficit) for the year	0	766 432	-	766 432	-14 481 619	-	-15 248 051	-116	-31
Capital expenditure and funds resources									
Capital expenditure									
Transfers recognised -Capital	78 500 000	78 500 000		78 500 000	42 788 513		-35 711 487	55	55
Public contribution and donations									
Borrowings									
Internally generated Funds	2 273 500	3 253 500		3 253 500	2 512 937		-740 563	77	111
Total source of Capital funds	80 773 500	81 753 500	-	81 753 500	45 301 450	-	-36 452 050	132	165
Cash flows									
Net cash from (used) operating					7 078 406				
Net cash from (used) investing					-10 410 925				
Net cash from (used) financing					21 007 846				
Cash /cash equivalents at the year end	-	-	-	-	17 675 327	-	-	-	-

Grant recognition that met condition
Over budgeting on Licences and permits

GRAP compliance issues
GRAP compliance issues
non spending as grants received late
Cost cutting measures

Housing grant not realised in full

ANNEXURE E(2)**Reconciliation of budget surpus /(deficit) and the surplus/(deficit) in the statement of financial performance**

Net surplus/ (deficit) per the statement of financial performance	-14 481 619
Adjusted for:	
Fair value adjustment	
Impairment recognised/ reversed	
Surplus / deficit on the sale of assets	
Increases/ decreases in provisions	
Variance as per Annexure A	15 248 051
Net surplus / deficit as per Approved Budget	<u>766 432</u>